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NSC BRIEFING

8 November 1954

CURRENT SITUATION IN HUNGARY

I. Economic, political woes make Hungary weakest Satellite. "New course" failing; dissension in Party; open popular resentment.

- A. Since "new course" start (July 53), industrial expansion plan cut from 16% to 1%.
- B. Still, steel short 90,000 tons, coal 450,000 tons.
- C. Means hard winter, no consumer goods increase.
- D. 40% of peasants quit collectives this year -- farm program chaotic.

II. Results:

- A. Unemployment up - 200,000. *(Like 3 million)*
- B. Inflationary pressures growing -- being met only by releasing inventories

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C. Could force currency reform; more
disaffection, even riots.

III. Regime nonetheless plans push "new
course" -- same time, whipping up
"Nationalism."

A. Touting "Patriotic People's Front,"
deploring past "mechanical" appli-
cation Soviet methods.

B. Free purged "national deviation-
ists":

Kadar (former Politburo, Inter-
ior Minister) restored in Octo-
ber; Kallai (ex-Foreign Minister)
reportedly released.

C. USSR returned all 5 joint companies
6 November (bauxite mines, alumini-
um, shipping, airline, oil).

IV. Dissension in Party:

A. Many in Party (possibly including
Sec'y Rakosi) think "new course"

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V. Increased popular opposition:

- A. Concessions have brought cries for more, also open criticism.
- B. However, resistance unorganized, passive--absenteeism, shoddy workmanship, withdrawal from collectives, resistance to quotas, etc.

VI. Neither Party woes nor popular opposition threaten Soviet domination.

- A. Party opposition doesn't wish overthrow Communist rule.
- B. Popular opposition cannot organize for overthrow, since --
 - 1. Former political parties gone, leaders executed or exiled.
 - 2. ~~Army, security forces still reliable.~~
 - 3. ~~30,000 Soviet troops, three air divisions in Hungary.~~

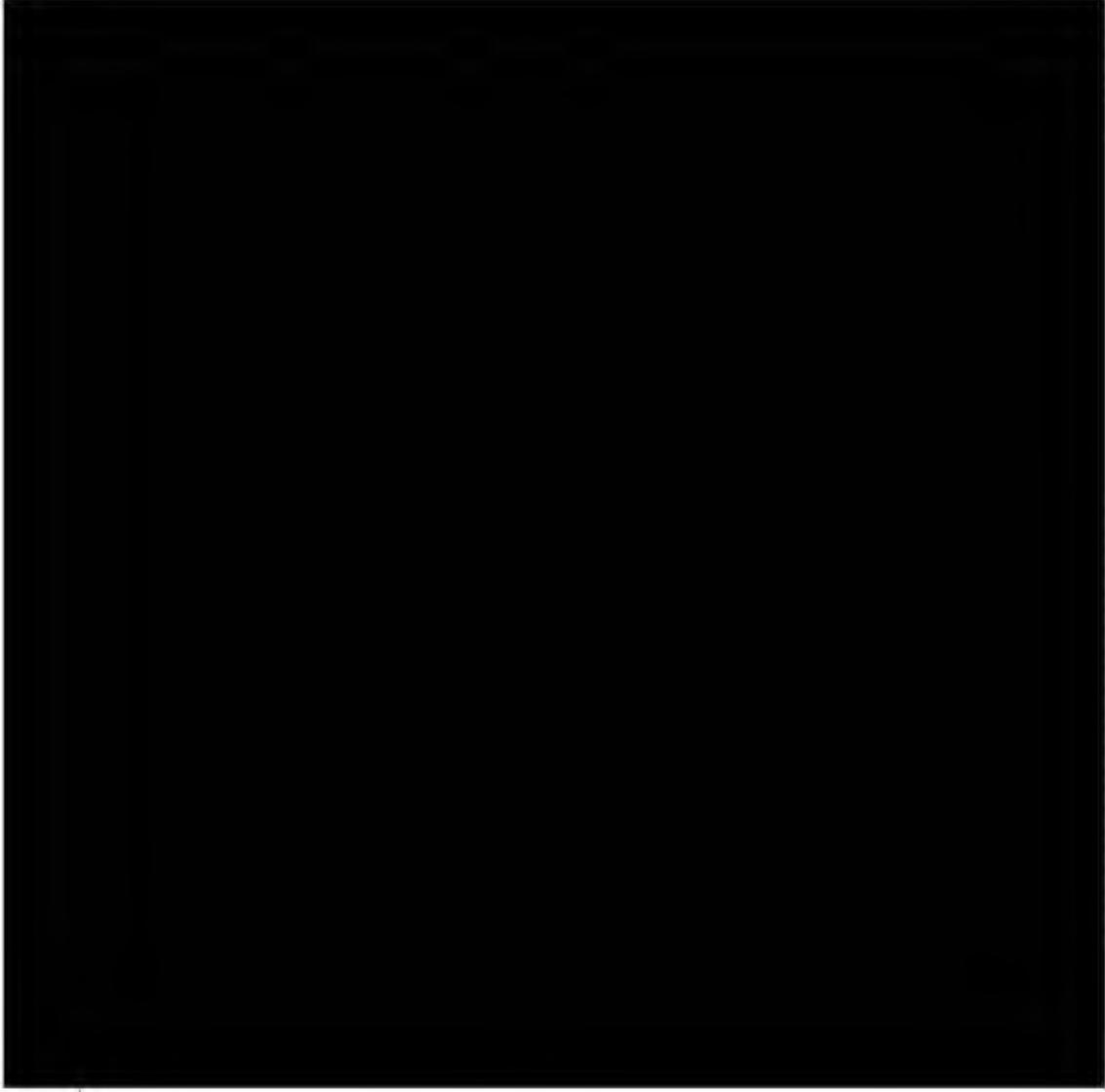
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C. Prospects for uprising small,

25X1C10b attempt would fail.



25X1C10b

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